

Changes Made," showing the current amendments to the specification and claims is attached hereto.

Please amend the above-identified application as follows:

IN THE SPECIFICATION:

Delete paragraph [0003] beginning at page 2, and ending at page 2, and replace with the following:

A<sup>1</sup>

[0003] General George Patton is reputed to have once said, "Take calculated risks. That is quite different from being rash." General Patton's attitudes about risk had far-reaching implications indeed, in that the decisions he made and the risks he took sometimes cost the lives of men in battle. But the notion of calculated risk goes well beyond warfare; it is a process that we all engage in as we make the daily decisions that define our lives. And the fact remains that most of the risks—economic and otherwise—that individuals face in their lives are not shared by society. As inefficient and insecure as it may seem, "we allow our standards of living to be determined substantially by a game of chance."

Delete paragraph [0004] beginning at page 2, and ending at page 2, and replace with the following:

A<sup>2</sup>

[0004] Over the years a number of instruments have emerged that enable people to "hedge their bets" in the face of risk. Insurance, in its many forms, is the classic example of a hedge instrument. So too, is the futures market for hedging the price of commodities. In fact, a futures market can exist for anything, functioning as a market where bets can be placed on the course of the price or index that defines that market. Hedging in any market—whether it be commodities, real estate, or anything with any kind of economic consequences—is essentially the same as buying insurance against price changes.

Delete paragraph [0100] beginning at page 27, and ending at page 27, and replace with the following:

A<sup>3</sup> [0100] However, with hedging, after the earnings announcement, Pete's portfolio net the \$25,000 upfront payment would be:

Initial Value Of Pete's Portfolio	Upfront Payment For B & C Contracts	Change In Value	Payoff Of Contract Portfolio	Net Final Value Of Pete's Portfolio
100,000	-25,000	+25,000	0	100,000
100,000	-25,000	-5,000	+30,000	100,000
100,000	-25,000	-15,000	+40,000	100,000

Delete paragraph [0109] beginning at page 28, and ending at page 29, and replace with the following:

A<sup>4</sup> [0109] Consider a small company, Sysco. Suppose Sysco is a supplier of operating hardware to AOL's network headquarters in Virginia. In fact, AOL is Sysco's single largest customer. When AOL's business booms, AOL will order more hardware from Sysco. In slower times, AOL will reduce its orders. In either case, Sysco believes AOL's quarterly earnings announcements reflect how well AOL is doing and, accordingly, how much AOL will expand or reduce needs for Sysco's products. In particular, Sysco believes the net present value (NPV) of its AOL business, if unhedged, would change by:

- (a) \$1,250,000 1st Qtr earnings exceeds \$0.41 cents;
- (b) \$950,000 if 1st Qtr earnings falls within \$0.39-\$0.41 range;
- (c) \$850,000 if 1st Qtr earnings misses the \$0.39 expectations threshold.

Delete paragraph [0111] beginning at page 29, and ending at page 29, and replace with the following:

A<sup>5</sup>

[0111] To put some numbers on the consequences of Sysco's hedging position, suppose, for instance, the market believes AOL has a 25% chance of beating expectations, a 50% chance of meeting expectations, and a 25% chance of falling short of expectations. Then Sysco would pay \$150,000 ( $= 30000 \times \$10 \times .50$ ) for 30000 type B contracts, and \$100,000 ( $= 40000 \times \$10 \times .25$ ) for 40000 type C contracts—for a total upfront payment of \$250,000.

Delete paragraph [0113] beginning at page 29, and ending at page 29, and replace with the following:

A<sup>6</sup>

[0113] With hedging, after the earnings announcement, Sysco's portfolio net the \$250,000 upfront payment would be:

Initial Value Of Sysco's Portfolio	Upfront Payment For B & C Contracts	Change In Value	Payoff Of Contract Portfolio	Net Final Value Of Sysco's Portfolio
1,000,000	-250,000	+250,000	0	1,000,000
1,000,000	-250,000	-50,000	+300,000	1,000,000
1,000,000	-250,000	-150,000	+400,000	1,000,000

Delete paragraph [0119], beginning at page 32 and ending at page 32, and replace with the following:

A<sup>7</sup>

[0119] To put some numbers on the consequences of Widco's hedging position, suppose, for instance, the market believes there is a 35% chance of a 50 basis point decrease, 40% chance of a 25 basis point decrease, and a 19% chance of no change, a 5% chance of a 25 basis point increase, and a 1% chance of a 50 basis point increase. Then Widco would pay \$10,000 ( $= 2500 \times \$10 \times .40$ ) for 2500 type B contracts; \$9500 ( $= 5000 \times \$10 \times .19$ ) for 5000 type C contracts; \$3750 ( $= 7500$